

Southeast Iowa Regional Planning Commission

**Independent Auditor's Reports
Basic Financial Statements
Required Supplementary Information
Schedule of Findings**

June 30, 2006

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Southeast Iowa Regional Planning Commission
Commission Members
June 30, 2006

Member	Representing
Bob Beck	Des Moines County
Bill Ell	Des Moines County
Hans Trousil	Des Moines County
Laverne Hueholt	Henry County
Brent Schleisman	Henry County
Tom Young	Henry County
Ray Bradley, Jr.	Lee County
Bill Kelly	Lee County
Joe Kowzan	Lee County
Forrest Bartenhagen	Louisa County
Jim Howell	Louisa County
Mark Huston	Louisa County
No representative	School Board
No representative	Utility
Jennifer Daly, Ex-Officio	Mt. Pleasant Area Development Commission
Dennis Hinkle, Ex-Officio	Grow Greater Burlington
Lowell Junkins, Ex-Officio	Lee County Economic Development Group
Sharon Leeper, Ex-Officio	Southeast Iowa Regional Airport Authority
Mallory Smith, Ex-Officio	Louisa Economic Development Group



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Independent Auditor's Report

Commission Board Members
Southeast Iowa Regional Planning Commission
Burlington, Iowa

We have audited the accompanying basic financial statements of Southeast Iowa Regional Planning Commission as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Iowa Regional Planning Commission as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2006 on our consideration of Southeast Iowa Regional Planning Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Southeast Iowa Regional Planning Commission taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CPA Associates PC

October 26, 2006

Southeast Iowa Regional Planning Commission Management's Discussion and Analysis

Southeast Iowa Regional Planning Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's support and revenues increased 73%, or \$416,200, from fiscal 2005 to fiscal 2006.
- Operating expenses increased 36%, or \$478,424 from fiscal 2005 to fiscal 2006.
- The Commission's net assets increased 10%, or \$167,053 from fiscal 2005 to fiscal 2006.
- The following capital contributions caused an increase in net assets:
 - Mediapolis Housing Trust Fund received \$75,000
 - Fort Madison revolving loan fund received \$25,000
 - Henry County revolving loan fund received \$35,000

USING THIS ANNUAL REPORT

The Southeast Iowa Regional Planning Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Southeast Iowa Regional Planning Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Financial Position Summary

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets exceeded liabilities by \$1,862,060 at June 30, 2006, a \$167,053 increase from 2005.

A summary of the Commission's net assets at June 30, 2006 and 2005 is shown below:

	2006	2005
Assets:		
Current assets	\$ 1,330,850	\$ 1,402,233
Long-term RLF notes receivable	1,545,017	1,307,838
Capital assets	<u>18,961</u>	<u>27,136</u>
Total assets	<u>2,894,828</u>	<u>2,737,207</u>
Liabilities:		
Current liabilities	233,872	423,834
Notes payable	<u>798,896</u>	<u>618,366</u>
Total liabilities	<u>1,032,768</u>	<u>1,042,200</u>
Net Assets:		
Invested in capital assets, net of related debt	595	83,498
Restricted	1,631,202	1,436,679
Unrestricted	<u>230,263</u>	<u>174,830</u>
Total net assets	<u>\$ 1,862,060</u>	<u>\$ 1,695,007</u>

The largest portion of the Commission's net assets each year represents amounts restricted for revolving loan funds.

FINANCIAL ANALYSIS OF THE COMMISSION (continued)**Summary of Operations and Changes in Net Assets**

Support and revenues are received from federal and state grants, state appropriations, and other local sources. Expenditures are expenses to operate the Commission's programs and the transit system. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2006 and 2005 is presented below:

	2006	2005
Support:		
Federal and state grants	\$ 952,303	\$ 740,353
Local contribution	<u>137,554</u>	<u>109,182</u>
Total support	<u>1,089,857</u>	<u>849,535</u>
Revenue:		
Administration fees	392,641	244,115
Bus fare	116,799	200,064
Medicaid	137,457	-
Insurance claims	2,500	63,872
Loan closing fees	9,701	5,288
Loan interest income	<u>88,877</u>	<u>58,758</u>
Total revenue	<u>747,975</u>	<u>572,097</u>
Total support and revenue	<u>1,837,832</u>	<u>1,421,632</u>
Expenses:		
Salaries and benefits	827,649	627,044
Construction expense	538,558	311,142
Depreciation	8,175	8,175
Dues and publications	14,560	10,107
Insurance	43,496	35,073
Interest expense	8,450	6,911
Maintenance and repair	45,680	40,234
Fuel and oil	72,552	44,787
Office and equipment expense	56,052	155,567
Professional fees	16,025	16,983
Contractual expenses	103,838	11,844
Occupancy	28,297	27,107
Travel and training	38,893	30,241
Printing and marketing	10,538	10,726
Miscellaneous	<u>6,454</u>	<u>4,852</u>
Total expenses	<u>1,819,217</u>	<u>1,340,793</u>
Operating income	18,615	80,839
Non-operating revenues/(expenses), net	13,438	12,543
Capital grants and contributions	<u>135,000</u>	<u>298,506</u>
Increase in Net Assets	<u>\$ 167,053</u>	<u>\$ 391,888</u>

FINANCIAL ANALYSIS OF THE COMMISSION (continued)

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

- Support, including Federal and State grants, for the year increased \$240,322, or 28%. Most of the increase in support revenues was due to an increase in pass-through funds associated with the Housing Rehabilitation program.
- Operating revenues increased by \$416,200, or 73%. The Brownfield Grant draws increased by \$87,216, as the project continues to make progress in the Task 3 assessment stage. The Housing Authority program was a new addition, which increased operating revenues by \$30,950. Office and equipment expense included the \$89,674 expenditure of federal funds for two RTA busses, which was not repeated in 2006. The balance of the increase is directly related to an additional \$47,143, in grant contracts.
- Expenses increased by \$478,424, or 36%. Expenses for the Housing Rehabilitation program increased by \$251,675, many of the homes under construction and repair were near completion. The addition of the Housing Authority program caused an increase in expenses of \$32,969. The Transportation Planning department had an increase in the amount of \$70,285 in expenses directly related to additional staff. The Regional Transit service experienced an increase in the cost of fuel of \$27,765 and additional personnel expenses.
- Local revenue and support for the year was \$12,644, and expense was \$41,908. Future revenues and expenses will follow similar trends.
- Regional Transit Authority (RTA) revenue and support for the year was \$482,647, and expense was \$516,530. In the future, it is anticipated that the transit service will end the year with an increase in net assets. Support revenues will include an increase in the state and federal transit assistance. As new buses are added to the fleet, maintenance and repairs are expected to decrease. However, fuel costs are difficult to forecast.
- Planning revenue and support for the year was \$337,168, and expense was \$331,423. The renewal of the land use and planning contracts will impact future revenue and expenses. If the contracts are renewed, future revenues and expenses will follow similar trends.
- Housing revenue and support for the year was \$642,200, and expense was \$661,340. Management anticipates a reduction in future revenues and expenses. The current Housing Rehabilitation programs will be completed and finalized. Additional Housing Rehabilitation Grants have been secured, however the initial phase and implementation of the grants are sometimes delayed due to homeowner and contractor schedules.
- Contract administration revenue and support for the year was \$258,674, and expense was \$201,760. Future revenues and expenses are expected to increase by approximately \$100,000 due to the final phase and completion of the Brownfield Project.
- Revolving Loan Fund (RLF) revenue and support was \$104,499 and expense was \$66,256. The addition of the Keokuk Revolving Loan Fund and a second USDA Intermediary Relending Program will increase revenue and expenses in the future.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes federal and state support, RTA bus fare revenue, planning contracts and other revenue, reduced by payments to employees and to suppliers. Cash provided from financing activities includes RLF program capital additions. Cash used by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2006, the Commission had \$18,961 invested in capital assets, net of accumulated depreciation of \$8,175. Depreciation charges totaled \$8,175 for fiscal year 2006. More detailed information about the Commission's capital assets is presented in the financial statement footnotes.

LONG-TERM LIABILITIES

At June 30, 2006, the Commission had \$798,896 in long-term debt outstanding, an increase of \$180,530 from 2005. The debt consists of a loan payable to the US Department of Agriculture for funds drawn to be used in the Intermediary Relending Program, a loan from the Iowa Finance Authority (IFA) to administer a Single Family Home Rehabilitation Revolving Loan Program and a loan from the Iowa Department of Transportation for the purchase of a bus for the Regional Transit Authority. Additional information about the Commission's long term liabilities is presented in the financial statement footnotes.

ECONOMIC FACTORS

Southeast Iowa Regional Planning Commission continued to improve its financial position during the year with a positive increase in net assets. Some of the realities that may potentially become challenges for the Commission to meet are:

- The Commission continues to evaluate the feasibility of a new office facility and transit maintenance facility. Both of these items are currently being researched to determine the long term economic impact to the Commission and provide better coordination with the transit division.
- Per capita match has remained the same for the past two years and although it has minimal impact on the percentage of budget, the local funds received serve as the foundation of the technical assistance efforts. These programs include the Economic Development Administration and Regional Transportation Planning.
- The level of projects the Commission has conducted during the past year has increased dramatically in comparison to five years ago. With the number of requests received it is important that the Commission Board Members continue to evaluate the projects with the greatest return on investment for the region and Commission.
- Retaining key staff is essential for any organization and Southeast Iowa Regional Planning Commission is no different. The major difference is the depth of staffing levels the Commission can justify and afford. Ongoing efforts are made to invest in competitive salaries and benefits for existing employees and recruiting quality new employees. The Commission will continue to evaluate the staffing levels based on the amount of requested work. It will also continue to monitor which programs provide the highest return and focus staffing efforts toward those programs.
- The Commission must continue to invest in technology and niches that provide added value to its members. This includes mapping, transportation planning, traffic counting, GPS services, and others. Many members can not afford these services individually but collectively they can participate in the overall investment, which is the focus of the Commission.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show its accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Southeast Iowa Regional Planning Commission, 200 Front Street, Suite 400, Burlington, Iowa 52601.

Respectfully submitted,

Brian Tapp
Executive Director

Southeast Iowa Regional Planning Commission
Statement of Net Assets
June 30, 2006

Assets	
Current assets:	
Cash	\$ 657,735
Cash - restricted	161,226
Accounts receivable	210,399
Prepaid expenses	11,041
Current portion of RLF notes receivable	<u>290,449</u>
Total current assets	1,330,850
Long term RLF notes receivable, net of current portion	1,545,017
Capital assets, net of accumulated depreciation	<u>18,961</u>
Total assets	<u>2,894,828</u>
Liabilities	
Current liabilities:	
Accounts payable	44,824
Accrued vacation and salary	58,380
Notes payable, current portion	49,470
Deferred revenue	17,773
Custodial funds	<u>63,425</u>
Total current liabilities	233,872
Notes payable, net of current portion	<u>798,896</u>
Total liabilities	<u>1,032,768</u>
Net Assets	
Invested in capital assets, net of related debt	595
Restricted	1,631,202
Unrestricted	<u>230,263</u>
Total net assets	<u>\$ 1,862,060</u>

See notes to financial statements.

Southeast Iowa Regional Planning Commission
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2006

	<u>Total</u>	<u>Local</u>	<u>RTA</u>	<u>Planning</u>	<u>Housing</u>	<u>Contract Admin</u>	<u>Revolving Loan Funds</u>
Support and Revenue							
Support:							
Federal and state grants	\$ 952,303	\$ 9,375	\$ 174,040	\$ 186,426	\$ 582,462	\$ -	\$ -
Local contribution	<u>137,554</u>	<u>2,990</u>	<u>51,851</u>	<u>62,446</u>	<u>19,567</u>	<u>700</u>	<u>-</u>
Total support	<u>1,089,857</u>	<u>12,365</u>	<u>225,891</u>	<u>248,872</u>	<u>602,029</u>	<u>700</u>	<u>-</u>
Revenue:							
Administration fees	392,641	279	-	88,296	38,590	257,974	7,502
Bus fare	116,799	-	116,799	-	-	-	-
Medicaid	137,457	-	137,457	-	-	-	-
Insurance claims	2,500	-	2,500	-	-	-	-
Loan closing fees	9,701	-	-	-	-	-	9,701
Loan interest income	<u>88,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,581</u>	<u>-</u>	<u>87,296</u>
Total revenue	<u>747,975</u>	<u>279</u>	<u>256,756</u>	<u>88,296</u>	<u>40,171</u>	<u>257,974</u>	<u>104,499</u>
Total support and revenue	<u>1,837,832</u>	<u>12,644</u>	<u>482,647</u>	<u>337,168</u>	<u>642,200</u>	<u>258,674</u>	<u>104,499</u>
Expense							
Salaries	674,674	109,644	182,065	204,998	58,350	86,059	33,558
Payroll taxes	96,099	21,759	24,003	26,878	7,641	11,456	4,362
Employee benefits	49,711	10,585	14,131	15,589	5,069	2,564	1,773
Other employee expense	7,165	-	7,165	-	-	-	-
Marketing	4,482	75	3,226	59	-	852	270
Construction expense	538,558	-	-	-	538,478	-	80
Depreciation	8,175	3,447	3,061	1,667	-	-	-
Dues and publications	14,560	7,179	3,317	545	823	1,554	1,142
Insurance	43,496	11,138	32,358	-	-	-	-
Interest expense	8,450	-	-	-	2,450	-	6,000
Maintenance and repair	45,680	-	45,680	-	-	-	-
Fuel and oil	72,552	-	72,552	-	-	-	-
Meetings	6,454	1,974	237	350	42	1,639	2,212
Office expense	56,052	33,987	11,292	6,060	2,253	1,603	857
Printing and postage	6,056	4,380	63	610	106	598	299
Professional fees	16,025	11,950	5	173	855	78	2,964
Contractual expenses	103,838	17,358	4,478	-	520	81,482	-
Rent	16,096	12,846	2,395	-	855	-	-
Telecommunications	12,201	7,310	4,886	5	-	-	-
Travel and training	38,893	4,574	4,679	15,173	5,073	6,642	2,752
Indirect costs	<u>-</u>	<u>(216,298)</u>	<u>100,937</u>	<u>59,316</u>	<u>38,825</u>	<u>7,233</u>	<u>9,987</u>
Total operating expense	<u>1,819,217</u>	<u>41,908</u>	<u>516,530</u>	<u>331,423</u>	<u>661,340</u>	<u>201,760</u>	<u>66,256</u>
Operating income (loss)	<u>18,615</u>	<u>(29,264)</u>	<u>(33,883)</u>	<u>5,745</u>	<u>(19,140)</u>	<u>56,914</u>	<u>38,243</u>
Non-Operating Revenue							
Interest income	<u>13,438</u>	<u>6,628</u>	<u>-</u>	<u>-</u>	<u>2,193</u>	<u>-</u>	<u>4,617</u>
Increase/(decrease) in net assets	32,053	(22,636)	(33,883)	5,745	(16,947)	56,914	42,860
Net assets, beginning of year (Note 15)	1,695,007	79,887	105,706	(103,189)	66,889	225,507	1,320,207
Capital grants and contributions	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>60,000</u>
Net assets, end of year	<u>\$ 1,862,060</u>	<u>\$ 57,251</u>	<u>\$ 71,823</u>	<u>\$ (97,444)</u>	<u>\$ 124,942</u>	<u>\$ 282,421</u>	<u>\$ 1,423,067</u>

See notes to financial statements.

Southeast Iowa Regional Planning Commission
Statement of Cash Flows
Year ended June 30, 2006

Cash Flows From Operating Activities	
Cash received from federal & state support	\$ 904,113
Cash received from local contributions and administration fees	517,227
Cash received from bus fares	254,256
Cash received from loan interest income and closing fees	98,578
Checking and money market interest received	13,438
Cash paid for goods and services	(1,100,661)
Cash paid for employees and benefits	<u>(817,767)</u>
Net cash (used) by operating activities	<u>(130,816)</u>
Cash Flows From Non-Capital Financing Activities	
Proceeds from long-term debt	<u>200,000</u>
Cash Flows From Capital and Related Financing Activities	
Capital contributions	135,000
Cash received from insurance claims	<u>2,500</u>
Net cash provided by financing activities	<u>137,500</u>
Cash Flows From Investing Activities	
Loans made	(514,750)
Collections of loans	261,352
Custodial funds expended	<u>(104,828)</u>
Net cash (used) by investing activities	<u>(358,226)</u>
Net decrease in cash	(151,542)
Cash, beginning of year	<u>970,503</u>
Cash, end of year (restricted and unrestricted)	<u>\$ 818,961</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Increase in net assets	\$ 32,053
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	8,175
Cash received from insurance claims	(2,500)
(Increase)/decrease in assets:	
Accounts receivable	(60,472)
Prepaid expenses	(3,468)
Increase/(decrease) in liabilities:	
Deferred revenue	(686)
Accounts payable and accrued expenses	<u>(103,918)</u>
Net cash (used) by operating activities	<u>\$ (130,816)</u>

See notes to financial statements.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 1. Nature of Organization

Southeast Iowa Regional Planning Commission (Commission) is a voluntary organization consisting of local governments (cities, counties and school districts) within the four-county southeast Iowa region. The Commission was formed in 1973 under Chapters 28E and 473A of the Code of Iowa for the general purpose of promoting intergovernmental cooperation and strengthening local governmental units. Specifically, the Commission has the power and duty to make comprehensive studies and plans for the development of the area it serves that will guide the unified development of the area and that will eliminate planning duplication and promote economy and efficiency in the coordinated development of the area and the general welfare, convenience, safety, and prosperity of its people. Southeast Iowa Regional Planning Commission is exempt from income taxes under Section 501(c)(1) of the Internal Revenue Code.

The Commission provides services to the region through a variety of programs, including:

Planning

- Transportation Planning - The Transportation Planning Department works with all Commission members and the Iowa Department of Transportation, Federal Highway Administration, Federal Transit Administration and other federal and state agencies to effectively plan and implement projects in southeast Iowa. This department is primarily funded through federal transportation planning grants originating from federal transportation authorizing legislation, such as TEA-21 and SAFETEA. Transportation planning staff are active in programming federal dollars available to the Commission, developing projects utilizing state and federal dollars, preparing transportation planning documents, Geographic Information Systems mapping and analysis, travel demand modeling, grant applications to federal and state governments, and regional cooperation related to transportation issues and transit planning.
- Land Use and Planning - The Planning and Zoning Department provides a number of services relating to land use and development to various clients within the region. Specifically, actual on-site land use administration, technical assistance with zoning and subdivision issues, revision and development of comprehensive plans, urban renewal plan formulation, annexations, ordinance codification updates and capital improvement budgeting are all provided under individual contracts with cities and/or counties within the four-county area.

Revolving Loan Funds and Economic Development

A main focus of the Economic Development Department is the creation and retention of jobs. This is accomplished through a multitude of avenues involving revolving loan funds, state and federal grantsmanship, Small Business Administration loan preparation and regional cooperation.

Housing

The Commission administers many different types of housing programs and works extensively with the Iowa Department of Economic Development, Iowa Finance Authority, and other entities on numerous housing projects throughout Southeast Iowa. Programs administered include Owner Occupied Rehabilitation Programs, Rental Rehabilitation, Down-payment Assistance, New Construction, and Acquisition/Demolition.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 1. Nature of Organization (continued)

Grant Administration

Southeast Iowa Regional Planning Commission administers grants received by clients from different funding sources. The staff works one-on-one with the agency officials and city or county officials to insure that all of the grantor agency requirements are met, and retains records related to the grant administration activities.

Regional Transit Authority

The Southeast Iowa Bus (SEIBUS) is a Regional Transit System that provides transportation for the general public in southeast Iowa, including residents of Louisa, Henry and Des Moines counties and the cities of Keokuk and Ft. Madison. The Authority also provides services to other organizations, such as Hope Haven, Area Agency on Aging, and Henry County, Des Moines County and Louisa County Central Point of Communication agencies.

Note 2. Summary of Significant Accounting Policies

The operations of the Commission are financed primarily by Federal and State grants, local contributions, contract administration fees, and RTA bus fares. The Commission is dependent on continued funding by federal, state and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

The Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For the fiscal year ending June 30, 2006, the Commission has implemented the financial reporting requirements of GASB Statements Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

Financial Reporting Entity

The Commission's financial reporting entity comprises the following:

Primary Government:	Southeast Iowa Regional Planning Commission
Blended Component Unit:	Southeast Iowa Development Corporation, Inc.

The Commission's financial statements include the accounts of all Commission operations. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burden on the Commission.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

The Southeast Iowa Development Corporation, Inc. meets the criteria to be a blended component unit. Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Commission or the component unit provides services entirely to the Commission. The component unit's funds are blended into those of the Commission as part of the EDA Revolving Loan Fund.

The Southeast Iowa Development Corporation, Inc. is a not-for profit corporation established in 1995 to further the economic development of the region comprised of the Iowa counties of Des Moines, Lee and Louisa as well as the cities located therein by providing low interest loans from a revolving loan fund. The current Commission Board serves as the entire governing body. The Southeast Iowa Development Corporation, Inc. is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

Basis of Presentation

The accounts of Southeast Iowa Regional Planning Commission are organized as an Enterprise Fund. Enterprise funds are used to account for operations (a) financed in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. At the end of the period, unearned funds that have been received are recorded as a liability to the grantor or member unless they can be carried over to the next fiscal year. The receipt of unearned funds that can be carried over to the next fiscal year are recorded as deferred revenue to be used for expenses or services in the future. Revenues from administrative contracts which have not been closed are recognized according to the percentage of completion method. Recognition of unearned contract administration revenue is deferred to be used for future contract administration expenses.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash and Cash Equivalents - The Commission considers demand deposits and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Donated capital assets are valued at their estimated fair value on the date of donation.

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets, generally 3 to 6 years.

Compensated Absences - Commission employees accumulate a limited amount of earned but unused vacation payable. Amounts representing the cost of compensated absences expected to be liquidated are recorded as a liability computed on current rates of pay.

Cost Allocation - The Commission utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs which are common to more than one program have been identified and classified into cost pools. These cost pools have been allocated to the programs based on formulas developed by the Commission for each pool.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Net Assets - Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 3. Cash

The Commission's cash deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission holds cash in separate accounts for each revolving loan fund as required under their contracts to administer those funds.

Note 4. Accounts Receivable

At June 30, 2006, the Commission has the following accounts receivable outstanding for grant revenues and fees earned.

Contract administration fees	\$ 113,295
RTA bus fares	16,804
RTA grants	26,589
Iowa Department of Transportation	40,841
US Department of Commerce - EDA	<u>12,870</u>
	<u>\$ 210,399</u>

Note 5. Loans Receivable

The Southeast Iowa Development Corporation, Inc. entered into an agreement with Southeast Iowa Regional Planning Commission to serve as a subgrantee for a Revolving Loan Fund (RLF) grant the Planning Commission received from the Economic Development Administration (EDA). As of June 30, 2006, the EDA RLF loan receivable balance was \$835,885. The loan agreements specify fixed interest rates of 4 - 7%, with principal and interest payable monthly and contain covenants required by the Economic Development Administration for participation in the revolving loan fund program.

EDA may terminate any grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of the grant. During the revolving phase of the revolving loan fund program, the grant recipient is expected to manage its revolving loan fund so that at least 75 percent of the loan fund capital is in use. At June 30, 2006, the Commission met the EDA level of effort guidelines in the administration of the revolving loan fund.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 5. Loans Receivable (continued)

Southeast Iowa Regional Planning Commission entered into an agreement with the United States Department of Agriculture (USDA) to administer a Revolving Loan Fund under the Intermediary Relending Program (IRP). Under the Intermediary Relending Program, the Commission borrows funds from the USDA and lends the funds to qualified businesses. As of June 30, 2006, the IRP loan receivable balance was \$734,506. The loan agreements specify fixed interest rates of 4 - 6.75%, with principal and interest payable monthly and contain covenants required by the USDA for participation in the revolving loan fund program.

The USDA requires the Commission to reserve cash for bad debts. The reserve for bad debts of 6 percent of outstanding loans must be accumulated for 3 years and then maintained. The cash reserve is \$36,000 at June 30, 2006 and is included in restricted cash on the Statement of Net Assets.

The City of Fort Madison has contracted with Southeast Iowa Regional Planning Commission to administer a Revolving Loan Fund (RLF). As of June 30, 2006, the Fort Madison RLF loan receivable balance was \$162,444. The loan agreements specify fixed interest rates of 4%, with principal and interest payable monthly.

Henry County has contracted with the Commission to administer a Revolving Loan Fund (RLF). As of June 30, 2006, the Henry County RLF loan receivable balance was \$34,013. The loan agreements specify fixed interest rates of 4 - 7%, with principal and interest payable monthly.

The City of Mediapolis has contracted with the Commission to administer the Mediapolis Housing Trust Fund Grant Program. This program offers grants, forgivable loans and revolving loans to program participants. The Revolving Loan Fund (RLF) portion of the program includes loans for home rehabilitation which specify fixed interest rates of 4%. As of June 30, 2006, the Mediapolis RLF loan receivable balance was \$68,619.

Note 6. Capital Assets

Capital assets consist of office furniture, equipment and vehicles with a cost basis of \$61,829 net of \$42,868 accumulated depreciation at June 30, 2006. Depreciation expense included in the financial statements for the year ended June 30, 2006 was \$8,175. A summary of capital assets at June 30, 2006 is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Purchased</u> <u>at cost</u>	<u>Disposi-</u> <u>tions</u>	<u>Ending</u> <u>Balance</u>
Equipment, furniture and fixtures	\$ 145,611	\$ -	\$ 102,148	\$ 43,463
Vehicles	18,366	-	-	18,366
	<u>\$ 163,977</u>	<u>\$ -</u>	<u>\$ 102,148</u>	<u>\$ 61,829</u>
	<u>Beginning</u> <u>Balance</u>	<u>Depreciation</u>	<u>Disposi-</u> <u>tions</u>	<u>Ending</u> <u>Balance</u>
Accumulated depreciation	\$ 136,840	\$ 8,176	\$ 102,148	\$ 42,868

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 7. Operating Leases

The Commission has entered into an operating lease to rent office space in Burlington, Iowa. The lease term began November 1, 2003 and ends June 30, 2009. Rent paid for the year ended June 30, 2006 was \$12,720.

The Commission has entered into an operating lease to rent Regional Transit Authority vehicle storage space in Burlington, Iowa. The lease term began March 1, 2005 and ends March 1, 2007. Rent paid for the year ended June 30, 2006 was \$2,395.

Future minimum lease payments due on the above operating leases are as follows:

Year ended June 30, 2007	\$ 15,900
Year ended June 30, 2008	14,700
Year ended June 30, 2009	<u>14,700</u>
	<u>\$ 45,300</u>

Note 8. Notes Payable

The Commission has a \$30,000 revolving line of credit dated December 1, 2004, all of which was used at June 30, 2006. The proceeds of the line of credit were used to facilitate Housing program transactions. Bank advances on the credit line are payable on demand and carry a monthly variable interest rate of 1.5% over the Wall Street Journal Prime Rate (8.75% at June 30, 2006). Interest is payable monthly and principal is due upon maturity on January 3, 2007.

The Commission has a \$30,000 revolving line of credit dated April 1, 2006, which was unused at June 30, 2006. The note expires March 30, 2007.

The Commission received a \$18,366 capital match revolving loan from the Iowa Department of Transportation. The loan is interest-free and is part of an agreement requiring the purchase of two new vehicles for the Regional Transit Authority. The loan agreement calls for the payment of principal in three equal annual installments beginning December 31, 2006.

Southeast Iowa Regional Planning Commission entered into an agreement with the United States Department of Agriculture (USDA) to administer a Revolving Loan Fund under the Intermediary Relending Program (IRP). The loan agreement dated July 9, 2003 calls for the USDA to loan \$600,000 to the Commission bearing interest at 1% per year. The loan proceeds can be drawn as qualified borrowers are identified. The loan agreement calls for the payment of interest only for the first 3 years and then principal and interest payable in 27 equal annual installments beginning on July 9, 2007. At June 30, 2006 the balance due to USDA was \$600,000.

Southeast Iowa Regional Planning Commission entered into an agreement with the Iowa Finance Authority (IFA) to administer a Single Family Home Rehabilitation Revolving Loan Program. The loan agreement dated March 1, 2006 calls for the IFA to loan \$200,000 to the Commission bearing interest at 3% per year. The loan agreement calls for the payment of interest only for the first 2 years and then principal and interest payable in 10 equal annual installments beginning on April 1, 2009. At June 30, 2006 the balance due to IFA was \$200,000.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 8. Notes Payable (continued)

A summary of changes in notes payable for the year ended June 30, 2006 follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>
Revolving Line of Credit	\$ 30,000	\$ -	\$ -	\$ 30,000
IDOT capital match loan	18,366	-	-	18,366
IFA Revolving loan	-	200,000	-	200,000
USDA Revolving loan	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
	<u>\$ 648,366</u>	<u>\$ 200,000</u>	<u>\$ -</u>	848,366
Less current portion				<u>(49,470)</u>
				<u>\$ 798,896</u>

Maturities of notes payable are as follows:

	Principal	Interest
Year ended June 30, 2007	\$ 49,470	\$ 12,000
Year ended June 30, 2008	25,787	11,805
Year ended June 30, 2009	50,983	11,609
Year ended June 30, 2010	51,182	10,660
Year ended June 30, 2011	45,261	9,709
Thereafter	<u>625,683</u>	<u>102,462</u>
	<u>\$ 848,366</u>	<u>\$ 158,245</u>

Note 9. Pension and Retirement Benefits

The Planning Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by Iowa statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306.

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by Iowa statute. The Commission's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$38,392, \$29,294, and \$16,951, respectively, equal to the required contributions for each year.

Note 10. Economic Dependency

The Planning Commission is dependent upon federal and state funding, and administration fees earned from the four-county southeast Iowa region.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 11. Concentrations of Credit Risk

Financial instruments that potentially subject the Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation to concentrations of credit risk consist principally of loans receivable. Concentrations of credit risk with respect to loans receivable exist due to the limited geographic region of the companies assisted and the inherent higher risk associated with loans to new and expanding businesses.

Note 12. Restricted Net Assets

The Commission has net assets that are restricted at June 30, 2006 for revolving loan fund programs and for capital asset purchases. A detail of those restrictions follows:

EDA Revolving Loan Fund net asset balance	\$ 893,400
USDA/IRP Revolving Loan Fund net asset balance	200,666
Fort Madison Revolving Loan Fund net asset balance	195,370
Henry County Revolving Loan Fund net asset balance	133,631
Mediapolis Development capital contributions	146,333
Restricted by Iowa Department of Transportation for bus purchases	<u>61,802</u>
	<u>\$ 1,631,202</u>

Note 13. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 14. Commitments and Contingencies

The Commission has entered into a professional services agreement with a consulting firm in the amount of \$329,000. A balance of \$246,343 remains on the agreement as of June 30, 2006. Under the agreement, the firm will provide engineering services related to the Southeast Iowa Brownfields Redevelopment Initiative. The program is funded through a federal grant that has no local match requirement.

Note 15. Prior Period Adjustments

During the period ending June 30, 2006, the Commission discovered an error made in prior periods. RTA assets purchased with Federal funds were capitalized and depreciated rather than being charged to equipment expense in the year of purchase. The error resulted in an overstatement in the amount of \$74,728 in both Capital assets and Unrestricted fund balance for the RTA program as of June 30, 2005. Adjustments related to corrections of these errors resulted in a decrease to Capital assets and Unrestricted fund balance for the RTA program of \$74,728 as of June 30, 2005 and a decrease to the change in net assets of \$74,728 for the year then ended.

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Planning
Year Ended June 30, 2006

	<u>Total</u>	<u>EDA</u>	<u>IDOT</u>	<u>Des Moines County Planning</u>	<u>Ft. Madison Planning</u>
Support and Revenue					
Support:					
Federal and state grants	\$ 186,426	\$ 49,579	\$ 136,847	\$ -	\$ -
Local contribution	<u>62,446</u>	<u>27,734</u>	<u>34,712</u>	<u>-</u>	<u>-</u>
Total support	<u>248,872</u>	<u>77,313</u>	<u>171,559</u>	<u>-</u>	<u>-</u>
Revenue:					
Administration fees	<u>88,296</u>	<u>-</u>	<u>15,000</u>	<u>41,296</u>	<u>32,000</u>
Total support and revenue	<u>337,168</u>	<u>77,313</u>	<u>186,559</u>	<u>41,296</u>	<u>32,000</u>
Expense					
Salaries	204,998	51,517	101,153	25,120	27,208
Payroll taxes	26,878	6,762	13,250	3,344	3,522
Employee benefits	15,589	3,769	7,853	1,677	2,290
Marketing	59	-	44	15	-
Depreciation	1,667	-	1,667	-	-
Dues and publications	545	-	228	214	103
Meetings	350	73	277	-	-
Office expense	6,060	21	5,780	259	-
Printing and postage	610	46	564	-	-
Professional fees	173	-	40	62	71
Telecommunications	5	-	5	-	-
Travel and training	15,173	2,356	9,269	454	3,094
Indirect costs	<u>59,316</u>	<u>13,083</u>	<u>32,936</u>	<u>7,175</u>	<u>6,122</u>
Total operating expense	<u>331,423</u>	<u>77,627</u>	<u>173,066</u>	<u>38,320</u>	<u>42,410</u>
Increase/(decrease) in net assets	5,745	(314)	13,493	2,976	(10,410)
Net assets, beginning of year	<u>(103,189)</u>	<u>(84,921)</u>	<u>(23,796)</u>	<u>11,432</u>	<u>(5,904)</u>
Net assets, end of year	<u>\$ (97,444)</u>	<u>\$ (85,235)</u>	<u>\$ (10,303)</u>	<u>\$ 14,408</u>	<u>\$ (16,314)</u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Housing
Year Ended June 30, 2006

	<u>Total</u>	<u>Ft. Madison</u>	<u>Ft. Madison Upper Story Redevelopment</u>	<u>Winfield</u>	<u>Wayland</u>	<u>Mediapolis</u>	<u>Housing Authority</u>	<u>Housing Admin</u>
Support and Revenue								
Support:								
Federal and state grants	\$ 582,462	\$ 97,505	\$ 148,752	\$ 172,942	\$ 92,383	\$ 66,680	\$ -	\$ 4,200
Local contribution	<u>19,567</u>	<u>3,000</u>	<u>-</u>	<u>4,515</u>	<u>12,052</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support	<u>602,029</u>	<u>100,505</u>	<u>148,752</u>	<u>177,457</u>	<u>104,435</u>	<u>66,680</u>	<u>-</u>	<u>4,200</u>
Revenue:								
Administration fees	38,590	-	-	-	-	-	30,950	7,640
Loan interest income	<u>1,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,581</u>	<u>-</u>	<u>-</u>
Total revenue	<u>40,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,581</u>	<u>30,950</u>	<u>7,640</u>
Total support and revenue	<u>642,200</u>	<u>100,505</u>	<u>148,752</u>	<u>177,457</u>	<u>104,435</u>	<u>68,261</u>	<u>30,950</u>	<u>11,840</u>
Expense								
Salaries	58,350	-	-	-	-	-	17,637	40,713
Payroll taxes	7,641	-	-	-	-	-	2,212	5,429
Employee benefits	5,069	-	-	-	-	-	2,809	2,260
Construction expense	538,478	84,195	142,752	155,227	101,822	50,896	-	3,586
Dues and publications	823	-	-	-	-	-	36	787
Interest expense	2,450	-	-	-	-	-	-	2,450
Meetings	42	-	-	-	-	-	-	42
Office expense	2,253	-	-	-	-	58	1,845	350
Printing and postage	106	-	-	-	-	-	-	106
Professional fees	855	-	-	-	-	-	198	657
Contractual expenses	520	-	-	-	-	-	520	-
Rent	855	-	-	-	-	-	855	-
Travel and training	5,073	-	-	-	-	-	956	4,117
Indirect costs	<u>38,825</u>	<u>25,411</u>	<u>6,000</u>	<u>22,230</u>	<u>13,451</u>	<u>19,500</u>	<u>5,901</u>	<u>(53,668)</u>
Total operating expense	<u>661,340</u>	<u>109,606</u>	<u>148,752</u>	<u>177,457</u>	<u>115,273</u>	<u>70,454</u>	<u>32,969</u>	<u>6,829</u>
Operating income (loss)	<u>(19,140)</u>	<u>(9,101)</u>	<u>-</u>	<u>-</u>	<u>(10,838)</u>	<u>(2,193)</u>	<u>(2,019)</u>	<u>5,011</u>
Non-Operating Revenue								
Interest income	<u>2,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,193</u>	<u>-</u>	<u>-</u>
Increase/(decrease) in net assets	(16,947)	(9,101)	-	-	(10,838)	-	(2,019)	5,011
Net assets, beginning of year	66,889	5,392	-	(6,949)	-	67,364	-	1,082
Capital contributions	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 124,942</u>	<u>\$ (3,709)</u>	<u>\$ -</u>	<u>\$ (6,949)</u>	<u>\$ (10,838)</u>	<u>\$ 142,364</u>	<u>\$ (2,019)</u>	<u>\$ 6,093</u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Contract Administration
Year Ended June 30, 2006

	<u>Total</u>	<u>Grant Admin</u>	<u>Brownfield</u>	<u>Homeland Security</u>	<u>Mediapolis Development Center</u>	<u>Other</u>
Support and Revenue						
Support:						
Local contribution	\$ 700	\$ -	\$ -	\$ -	\$ -	\$ 700
Revenue:						
Administration fees	<u>257,974</u>	<u>96,629</u>	<u>114,741</u>	<u>31,479</u>	<u>-</u>	<u>15,125</u>
Total support and revenue	<u>258,674</u>	<u>96,629</u>	<u>114,741</u>	<u>31,479</u>	<u>-</u>	<u>15,825</u>
Expense						
Salaries	86,059	21,517	26,629	17,948	-	19,965
Payroll taxes	11,456	2,871	3,514	2,404	-	2,667
Employee benefits	2,564	122	2,000	-	-	442
Marketing	852	852	-	-	-	-
Dues and publications	1,554	320	-	-	70	1,164
Meetings	1,639	-	126	-	-	1,513
Office expense	1,603	71	18	431	252	831
Printing and postage	598	129	-	30	-	439
Professional fees	78	40	-	-	38	-
Contractual expenses	81,482	-	81,482	-	-	-
Travel and training	6,642	1,158	959	464	97	3,964
Indirect costs	<u>7,233</u>	<u>6,732</u>	<u>7,670</u>	<u>6,320</u>	<u>(19,500)</u>	<u>6,011</u>
Total operating expense	<u>201,760</u>	<u>33,812</u>	<u>122,398</u>	<u>27,597</u>	<u>(19,043)</u>	<u>36,996</u>
Increase/(decrease) in net assets	56,914	62,817	(7,657)	3,882	19,043	(21,171)
Net assets, beginning of year	<u>225,507</u>	<u>212,217</u>	<u>(6,820)</u>	<u>(6,205)</u>	<u>-</u>	<u>26,315</u>
Net assets, end of year	<u>\$ 282,421</u>	<u>\$ 275,034</u>	<u>\$ (14,477)</u>	<u>\$ (2,323)</u>	<u>\$ 19,043</u>	<u>\$ 5,144</u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Revolving Loan Funds
Year Ended June 30, 2006

	<u>Total</u>	<u>EDA</u>	<u>USDA/IRP</u>	<u>Ft. Madison</u>	<u>Henry County</u>
Revenue					
Administration fees	\$ 7,502	\$ 7,502	\$ -	\$ -	\$ -
Loan closing fees	9,701	2,930	6,071	300	400
Loan interest income	<u>87,296</u>	<u>38,676</u>	<u>41,352</u>	<u>6,733</u>	<u>535</u>
Total revenue	<u>104,499</u>	<u>49,108</u>	<u>47,423</u>	<u>7,033</u>	<u>935</u>
Expense					
Salaries	33,558	23,124	5,497	4,937	-
Payroll taxes	4,362	2,990	710	662	-
Employee benefits	1,773	1,477	315	(19)	-
Marketing	270	241	-	29	-
Dues and publications	1,142	1,142	-	-	-
Interest expense	6,000	-	6,000	-	-
Meetings	2,212	1,216	968	-	28
Office expense	857	306	298	36	217
Printing and postage	299	-	-	-	299
Professional fees	2,964	2,069	583	101	211
Contractual expenses	80	80	-	-	-
Travel and training	2,752	1,845	664	5	238
Indirect costs	<u>9,987</u>	<u>6,802</u>	<u>1,621</u>	<u>1,564</u>	<u>-</u>
Total operating expense	<u>66,256</u>	<u>41,292</u>	<u>16,656</u>	<u>7,315</u>	<u>993</u>
Operating income (loss)	<u>38,243</u>	<u>7,816</u>	<u>30,767</u>	<u>(282)</u>	<u>(58)</u>
Non-Operating Revenue					
Interest income	<u>4,617</u>	<u>712</u>	<u>1,542</u>	<u>112</u>	<u>2,251</u>
Increase/(decrease) in net assets	42,860	8,528	32,309	(170)	2,193
Net assets, beginning of year	1,320,207	884,872	168,357	170,540	96,438
Capital contributions	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>35,000</u>
Net assets, end of year	<u>\$ 1,423,067</u>	<u>\$ 893,400</u>	<u>\$ 200,666</u>	<u>\$ 195,370</u>	<u>\$ 133,631</u>

**Southeast Iowa Regional Planning Commission and Affiliate
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006**

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Department of Agriculture</u>			
Direct programs:			
Rural Business-Cooperative Service Intermediary Relending Program	10.767	#16029421013986	\$ 670,747
Pass-through programs:			
Henry County - USDA Rural Development	10.769	RD 1940-1	<u>39,227</u>
Total U.S. Department of Agriculture			<u>709,974</u>
<u>U.S. Department of Commerce</u>			
Direct programs:			
Special Economic Development and Assistance Programs - Long-Term Economic Development Revolving Loan Fund	11.307	5-39-2629	718,984
Support for Planning Organizations	11.302	05-83-04136	36,710
Support for Planning Organizations	11.302	05-83-04270	<u>12,870</u>
Total U.S. Department of Commerce direct programs			<u>768,564</u>
Pass-through programs:			
Des Moines County Economic Development Administration Section 201 - Public Works	11.300	5-01-03928	<u>500,000</u>
Total U.S. Department of Commerce			<u>1,268,564</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through programs - Iowa Department of Economic Development:			
City of Mt Pleasant/Community Dev Block Grant	14.228	03-ED-014	5,000
City of Wayland/Community Dev Block Grant	14.228	03-WS-067	104,032
City of New London/Comm Dev Block Grant	14.228	04-WS-069	346,899
City of Winfield/Community Dev Block Grant	14.228	04-HSG-057	180,637
City of Ft Madison Community Development Block Grant	14.228	03-HSG-095	97,504
Community Development Block Grant	14.228	05-HM-198-22	148,753
Lee County/Community Dev Block Grant	14.228	04-WS-052	20,000
Des Moines County/Comm Dev Block Grant	14.228	05-CF-010	210,664
City of Mt Pleasant/HUD	14.239	UA05-SPG503	<u>10,000</u>
Total U.S. Department of Housing and Urban Development			<u>1,123,489</u>
<u>U.S. Department of Transportation</u>			
Pass-through programs - Iowa Department of Transportation:			
Transportation Planning Work Program	20.515	06RPA-16	136,847
United We Ride Coordination Project	20.515	26-0003-016-06	1,300
Capital Investment Assistance Project	20.505		1,672
Non-Urban Operating Assistance Project	20.509	18-4027-160-06	<u>18,750</u>
Total U.S. Department of Transportation			<u>158,569</u>

**Southeast Iowa Regional Planning Commission and Affiliate
Schedule of Expenditures of Federal Awards
Year ended June 30, 2006**

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Environmental Protection Agency</u>			
Direct programs:			
Brownfields Assessment	66.818	BF-98747801-0	\$ 114,741
Pass-through programs:			
City of New London - Sanitary and Storm Sewer Improvements	66.458	CS192276 01	<u>396,217</u>
Total U.S. Environmental Protection Agency			<u>510,958</u>
<u>U.S. Department of Homeland Security</u>			
Pass-through programs - Iowa Department of Public Defense			
Lee County - Pre-disaster Mitigation	97.017		13,725
Louisa County - Pre-disaster Mitigation	97.017		13,724
City of Wapello - Flood Mitigation Assistance	97.029		4,747
Louisa County - Flood Mitigation Assistance	97.029		<u>4,590</u>
Total Federal Emergency Management Agency			<u>36,786</u>
Total expenditures of federal awards			<u>\$ 3,808,340</u>

The value of U.S. Department of Commerce - Long-Term Economic Development Revolving Loan Fund loans outstanding at June 30, 2006 is \$835,885.

The value of U.S. Department of Agriculture - Revolving Loan Fund under the Intermediary Relending Program loans outstanding at June 30, 2006 is \$734,506.

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Iowa Regional Planning Commission and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Commission Board Members
Southeast Iowa Regional Planning Commission
Burlington, Iowa

We have audited the financial statements of Southeast Iowa Regional Planning Commission as of and for the year ended June 30, 2006, and have issued our report thereon dated October 26, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Iowa Regional Planning Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Iowa Regional Planning Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory or other legal matters about the Commission's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the Board, management, and other parties to whom the Commission may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Southeast Iowa Regional Planning Commission during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

October 26, 2006



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**Independent Auditor's Report on Compliance With Requirements Applicable
to Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Commission Board Members
Southeast Iowa Regional Planning Commission
Burlington, Iowa

Compliance

We have audited the compliance of Southeast Iowa Regional Planning Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplements that are applicable to its major federal programs for the year ended June 30, 2006. Southeast Iowa Regional Planning Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southeast Iowa Regional Planning Commission's management. Our responsibility is to express an opinion on Southeast Iowa Regional Planning Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about Southeast Iowa Regional Planning Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southeast Iowa Regional Planning Commission's compliance with those requirements.

In our opinion Southeast Iowa Regional Planning Commission complied, in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Southeast Iowa Regional Planning Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southeast Iowa Regional Planning Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Southeast Iowa Regional Planning Commission and other parties to whom the Commission may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

CPA Associates PC

October 26, 2006

**Southeast Iowa Regional Planning Commission
Schedule of Findings
Year ended June 30, 2006**

Summary of Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any reportable conditions in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (e) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major programs were as follows:

CFDA Number 14.228 - U.S. Department of Housing and Urban Development - Community Development Block Grant

CFDA Number 66.458 - U.S. Environmental Protection Agency - Capitalization Grants for Clean Water State Revolving Funds

CFDA Number 66.818 - U.S. Environmental Protection Agency - Brownfields Assessment and Cleanup Cooperative Agreements

- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Southeast Iowa Regional Planning Commission qualified as a low-risk auditee.

Findings Related to the Financial Statements

None.

Findings and Questioned Costs - Major Federal Award Programs Audit

None.

Other Findings Related to Required Statutory Reporting

- (a) Questionable Expenditures - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (b) Travel Expense - No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (c) Business Transactions - No business transactions between the Commission and Commission officials or employees were noted.

Other Findings Related to Required Statutory Reporting (continued)

- (d) Bond Coverage - Surety bond coverage of Commission officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (e) Board Minutes - No transactions requiring Board approval were noted which had not be approved.
- (f) Deposits and Investments - The Commission had no investments not authorized under the Code of Iowa or its written investment policy.